

# Remuneration Report for the 2021 financial year

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## Remuneration Report

This Remuneration Report describes the remuneration paid to current and former members of the Management Board and Supervisory Board of Aareal Bank AG in accordance with section 162 of the German Public Limited Companies Act (Aktiengesetz – AktG). The Remuneration Report was reviewed by the auditors of Aareal Bank AG's annual financial statements, KPMG. KPMG also performed a substantive audit on this report extending beyond the requirements set out in section 162 (3) sentences 1 and 2 of the AktG. The report on the outcome of this audit is reproduced in full at the end of the Remuneration Report.

### 1. A review of the 2021 financial year

#### 1.1 Changes within the Management Board

There were significant changes within the Management Board of Aareal Bank AG during the year under review.

On 8 November 2020, the Supervisory Board had granted a temporary leave of absence to Hermann J. Merkens, releasing him from his duties as a member and Chairman of the Management Board, for health-related reasons. On 20 April 2021, Hermann J. Merkens informed the Chairman of the Supervisory Board at that time, Marija Korsch, that, contrary to initial expectations and from a medical perspective, he would not be able to resume his work as member and Chairman of the Management Board for the foreseeable future. As a result, Mr Merkens left the Management Board prematurely on 30 April 2021 in line with the contractual agreements.

On 15 June 2021, the Supervisory Board appointed Jochen Klösger as the new Chairman of the Management Board of Aareal Bank AG with effect from 15 September 2021. As is evident from this Remuneration Report, the Supervisory Board has already taken extensive measures in response to key points of criticism raised in connection with the previous Management Board remuneration system with regard to the remuneration conditions.

Dagmar Knopek left the Management Board of Aareal Bank AG at the end of her standard appointment period on 31 May 2021. Thomas Ortmanns also left the Management Board of Aareal Bank AG prematurely at his own request effective 30 September 2021.

All in all, this meant that the size of the Management Board was reduced from six members at the beginning of the reporting year to four members at the end of the reporting year.

#### 1.2 Changes within the Remuneration Control Committee

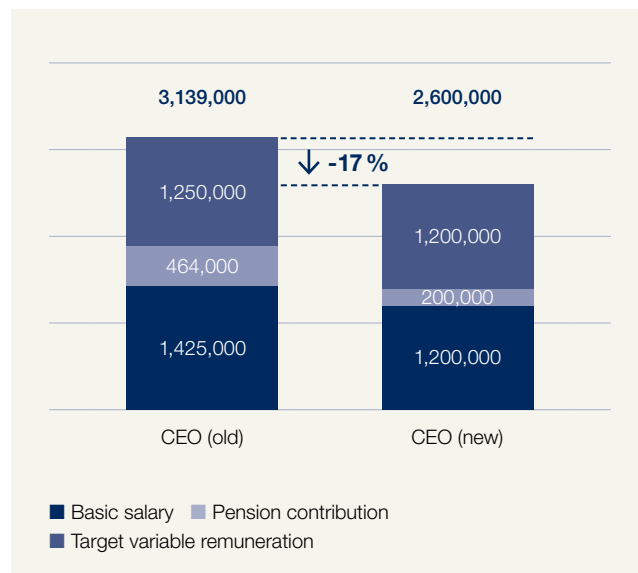
The Bank's long-standing Supervisory Board Chairman, Marija Korsch, informed the Management Board on 23 November that she had resigned as Chairman of Aareal Bank's Supervisory Board with immediate effect, and that she intended to resign from her Supervisory Board mandate with effect from 31 March 2022. The Supervisory Board elected Prof. Dr Hermann Wagner, who has been a member of the Supervisory Board since 2015 and already headed the Audit Committee, to succeed her as Chairman of the Supervisory Board. As Ms Korsch also resigned as Chairman of the Remuneration Control Committee with immediate effect, Christof von Dryander was elected as the committee's new Chairman.

At the Bank's extraordinary General Meeting held on 9 December 2021, however, Ms Korsch was dismissed as a member of the Bank's Supervisory Board with effect from the end of the meeting. In addition to Ms Korsch, Christof von Dryander and Dietrich Voigtländer were also dismissed by the extraordinary General Meeting. The proposals made by a shareholder for the election of new members to the Supervisory Board did not, however, secure

the necessary majority at the extraordinary General Meeting. While the Supervisory Board then immediately initiated the process to have the court appoint three Supervisory Board members, this process was not completed until 14 January 2022. This meant that the Supervisory Board only consisted of nine members at the end of the reporting year.

The three Supervisory Board members dismissed by the extraordinary General Meeting were members of the Remuneration Control Committee. Following their dismissal, the composition of the committee was changed. Professor Wagner and Petra Heinemann-Specht were appointed to the Remuneration Control Committee. Professor Wagner also assumed the position of Chairman of the Remuneration Control Committee.

### 1.3 Reaction to the rejection of the Management Board remuneration system by the Annual General Meeting and outlook



Areal Bank's remuneration system was rejected by 63.35 % of the votes cast at the ordinary Annual General Meeting 2021, meaning that it was not adopted. Since then, the Supervisory Board has been addressing changes to the remuneration system in depth.

When Mr Klösger was appointed as the new Chairman of the Bank's Management Board, key new features were already implemented in response to the criticism raised by the Bank's shareholders. The main points of criticism raised by the shareholders were the absolute amount of the remuneration paid, the insufficient share of variable remuneration in relation to total remuneration, the excessive share of pension commitments in relation to total remuneration, the amount of the guaranteed rate of interest on

pension commitments and the peer group used to compare the remuneration. The Supervisory Board had already reacted to all of these aspects when defining Mr Klösger's remuneration conditions. Mr Klösger's target total remuneration, for example, was reduced significantly, by around 17 %, compared to the remuneration paid to his predecessor. In addition, as Mr Klösger's pension commitment no longer includes the previous guaranteed interest rate of 4 %, the reduction based on the IFRS service cost is even more substantial. Furthermore, the appropriateness of the remuneration and the question as to whether or not it was consistent with standard market practice was no longer assessed based on a peer group comprising all of the companies listed in the DAX, MDAX and SDAX. Instead, the comparison was based on a peer group of selected banks in Germany.

A working group comprising members of the Remuneration Control Committee addressed these and other aspects of the remuneration system during the 2021 and 2022 financial years. In particular, a new target system was developed to make the target system more straightforward and transparent, to enable greater alignment with shareholder interests and to further increase the role played by ESG issues. The working group consisted of Ms Korsch, Mr von Dryander and Mr Voigtländer until their dismissal, after which it consisted of Professor Wagner and Ms Seignette.

Details on the revised Management Board remuneration system can be found in the invitation to the ordinary Annual General Meeting 2022.

### 1.4 Performance in 2021

The Bank can look back on a successful 2021 reporting year in which it exceeded the targets it had set itself. This means that it also achieved the earnings swing it had forecast at the start of the reporting year. The Bank not only boosted its net interest income and, as a result, its profitability significantly. It was even able to make a further improvement to its Common Equity Tier I ratio (CET1 ratio) at the same time. Overall, this put the Bank at the upper end of the forecast range and ahead of its ambitious projections. The starting position for sustainable and profitable growth was improved yet again in all segments.

This positive development is also based on the Management Board’s strong management performance, which is why it is also reflected in the variable remuneration for 2021. The positive results also illustrate, in particular, that the Bank’s management and employees have kept a firm focus on the Bank’s business and profitability despite the Bank being the target of an unsolicited takeover bid.

## 2. Management Board remuneration system 2021

The following overview illustrates the fundamental principles of the Management Board remuneration system applied in the year under review. Following the rejection by the ordinary Annual General Meeting 2021, the remuneration system was thoroughly revised. The revised Management Board remuneration system also forms part of the agenda for the ordinary Annual General Meeting 2022.

	Description	Reference to strategy and long-term development
<b>Fixed remuneration elements</b>		
Fixed annual salary + ancillary benefits = basic remuneration	<ul style="list-style-type: none"> <li>– Fixed, contractually-agreed remuneration in line with standard market conditions, paid monthly</li> <li>– Ancillary benefits in line with standard market conditions, in particular a company car that can also be used for private purposes, or a lump-sum payment for members who decide against a company car; certain costs for security expenses, including the taxes and social security contributions payable on these amounts; (substitute) social security contribution corresponding to 50% of the contributions due under the statutory social security scheme</li> </ul>	<p>Guaranteeing the fixed income in the form of a fixed annual salary and ancillary benefits equivalent to scope and complexity of the business and the role and responsibility of the individual members of the Management Board, and competitive on the market.</p>
Pension benefits	<ul style="list-style-type: none"> <li>– Defined contribution commitment with guaranteed interest</li> <li>– Management Board members are entitled to pension payments when they reach a defined age.</li> <li>– In the event of permanent disability, Management Board members are entitled to benefit payments even before they reach this defined age.</li> </ul>	<p>Granting of pension commitments for financial security in retirement and protection in case of death and disability that are in line with market requirements.</p> <p><b>New features for newly appointed Management Board members, or members reappointed since 2021:</b> In line with the revised remuneration system, which will be presented to the ordinary Annual General Meeting 2022, a defined contribution pension commitment with a fund index performance-based interest rate is planned for newly appointed Management Board members, or members reappointed from 2021 onwards. Upon reaching the defined age, the Management Board members are entitled to a one-off lump-sum payment.</p>

	Description	Reference to strategy and long-term development
<b>Variable remuneration elements</b>	<ul style="list-style-type: none"> <li>– Variable remuneration is determined via the achievement of targets derived from the business and risk strategies, and which are in line with Aareal Bank's corporate and risk culture.</li> <li>– Group (70%), divisional (15%) and individual (15%) targets</li> <li>– Group targets usually correspond to the financial KPIs used in the management system, while divisional and individual targets can include both financial and non-financial KPIs.</li> <li>– Performance measurement based on criteria whose achievement is determined over a three-year period</li> <li>– No discretionary components besides the targets derived from the strategy</li> <li>– Breakdown via four components (as per regulatory requirements)</li> <li>– At least 55% of variable remuneration is share-based</li> <li>– At least 80% is paid out on a deferred basis (20% as a share bonus with a holding period + 60% cash and share deferral)</li> <li>– Maximum overall target achievement level is capped at 150% of the target value</li> <li>– Variable remuneration cannot exceed fixed remuneration</li> <li>– No compensation is granted in the form of special bonuses extending over and above the components referred to above.</li> </ul>	<p>Calculation of variable remuneration on the basis of annual financial and non-financial performance criteria that promote the achievement of the strategic objectives.</p> <p>Provides incentives to Management Board members for implementing the business priorities of Aareal Bank and to act in the interest of the long-term and sustainable positive business development.</p> <p>Group performance targets account for 70% of overall target achievement, hence prioritising the entire Company's interest, including shareholder expectations.</p> <p>By granting the variable remuneration, Aareal Bank meets the regulatory requirements to which it is subject.</p> <p><b>New features as of 2023:</b> The remuneration system to be presented to the ordinary Annual General Meeting 2022 provides for the separate divisional and individual target levels to be combined to create one single target level in order to make the remuneration system easier to understand.</p>
<b>Other rules</b>		
Risk-bearing capacity	<ul style="list-style-type: none"> <li>– Before disbursing the variable remuneration, the Supervisory Board reviews it regarding its compatibility with the risk-bearing capacity.</li> </ul>	Disbursing variable remuneration is not meant to threaten Aareal Bank's financial solidity.
Malus and clawback	<ul style="list-style-type: none"> <li>– All components of the variable remuneration are subject to malus and clawback provisions.</li> <li>– Admission of an adjustment to outstanding remuneration and/or clawback of remuneration already disbursed in case of clawback events.</li> </ul>	Within the meaning of responsible and sustainable corporate governance, and for the purpose of implementing the regulatory requirements, malus and clawback rules are a mandatory part of good corporate governance, which in turn is firmly enshrined in Aareal Bank's strategy.
Consideration of extraordinary developments	<ul style="list-style-type: none"> <li>– (Modifier) adjustment of Group target achievement level by 20 percentage points possible in cases involving exogenous circumstances</li> <li>– In principle, no subsequent adjustments to remuneration targets, unless extraordinary developments result in the business strategy being adjusted during the year.</li> </ul>	<p>In order to ensure that the remuneration system provides incentives for the actual performance of the Management Board member with regard to the sustainable and long-term development of Aareal Bank Group, adjustments can be made subject to pre-defined and very restrictive conditions.</p> <p><b>New features as of 2023:</b> The modifier is no longer included in the new Management Board remuneration system, which will be presented to the ordinary Annual General Meeting 2022. This further restricts the extent to which the Supervisory Board can exercise discretionary judgement when defining the variable remuneration.</p>

	Description	Reference to strategy and long-term development
<p>Maximum remuneration of € 5.5 million per Management Board member (within the meaning of section 87a of the AktG)</p>	<p>– Maximum expense amount for the financial year, which includes the fixed annual salary, variable remuneration elements (incl. the development of the virtual shares over the next six years), ancillary benefits and pension obligations (service cost). Severance payments are excluded from this amount as a non-standard remuneration component.</p>	<p>In order to define absolute values to ensure the proportionality of the amount of Management Board remuneration, the maximum remuneration sets a specific upper limit. This theoretical maximum value is based on a maximum possible target achievement level over the entire three-year assessment period and maximum share price performance. This means that the maximum remuneration can be clearly distinguished from the total target remuneration.</p> <p><b>New features as of 2023:</b> In the revised Management Board remuneration system, which will be presented to the ordinary Annual General Meeting 2022, the maximum remuneration will be reduced to € 4.5 million per member of the Management Board.</p>

## 2.1 Appropriateness of the remuneration

Remuneration of the members of the Management Board is appropriate to their tasks and performance, as well as the Company's overall situation.

The Supervisory Board took an in-depth look at the question as to which peer group should be used to review the appropriateness of the Management Board remuneration as part of the "horizontal comparison".

In this respect, the Management Board remuneration system presented to the ordinary Annual General Meeting 2021 included all companies listed in the SDAX, MDAX and DAX in the Bank's peer group. Many shareholders felt that this peer group was too broad and unspecific.

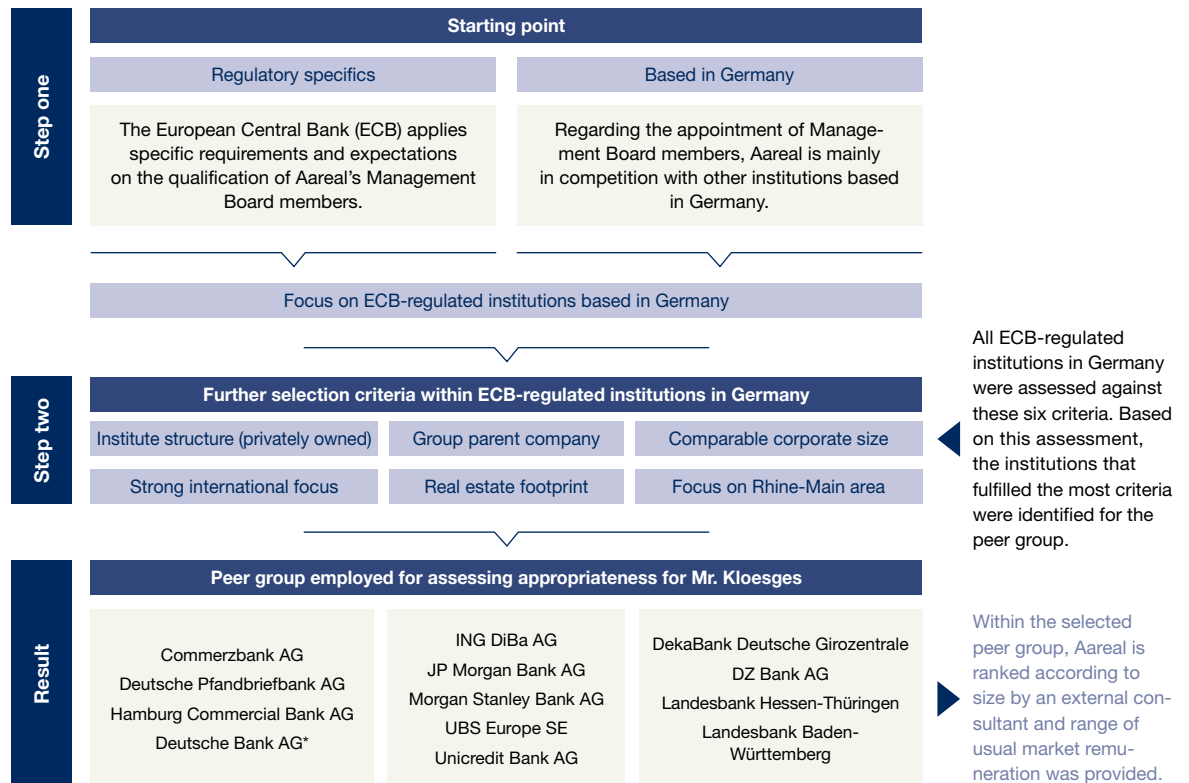
By contrast, the peer group used by the Supervisory Board to assess Mr Klösge's remuneration breaks with the previous approach and performs the comparison based on a group of companies selected for this purpose using a fixed catalogue of criteria.

The first step involved narrowing the peer group down to ECB-regulated banks in Germany. This is because the European Central Bank imposes specific requirements on, and has specific expectations of, Management Board members at these institutions. The focus on Germany is based on the fact that, when trying to attract potential candidates to fill Management Board positions, Aareal Bank is largely competing with other banks based in Germany.

The second step involved narrowing the group of ECB-regulated banks in Germany down further by classifying all of the companies using a catalogue of six criteria that are considered highly relevant from the perspective of Aareal Bank and its business model. The banks that met the most criteria make up the peer group of 13 companies used to evaluate Mr Klösge's remuneration.

Within this peer group, Aareal Bank had an external, independent remuneration consultant (Willis Towers Watson) rank the Bank on the basis of its size and arrive at an opinion regarding standard market remuneration based on this ranking. The target total remuneration defined for Mr Klösge was confirmed as being consistent with standard market practice in this context.

The process involved in defining the peer group – which is to be used for future assessments of the appropriateness of remuneration as well – is illustrated in the chart below:



\* The remuneration comparison is not made with the Management Board of Deutsche Bank but with the Management Board level corresponding to the former Postbank AG/Privat- und Firmenkundenbank AG

In addition to the horizontal comparison, the vertical comparison serves to observe how the remuneration of Management Board members compares to the remuneration of the senior management (i.e. usually the highest management level below the Management Board) as well as to the remuneration of employees in general, also with a view to the development over time. In this context, “employees” refers to all permanent employees of Aareal Bank AG in Germany.

## 2.2 Remuneration structure

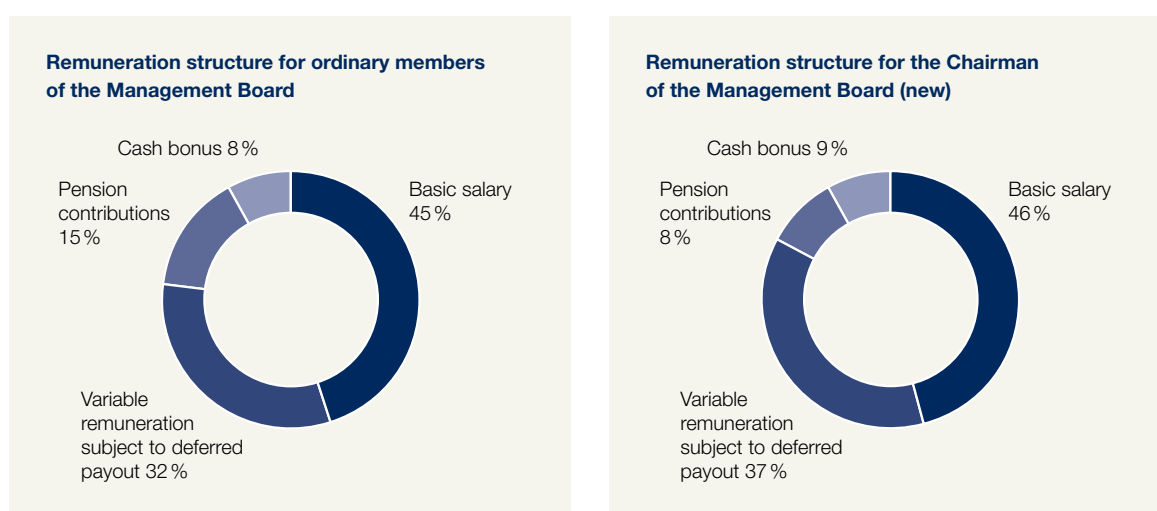
The target total remuneration comprises a fixed component (including ancillary benefits and contributions to pension provisions) and a variable component whose structure is heavily regulated by law, namely in the provisions set out in the German Banking Act (Kreditwesengesetz – KWG), the German Regulation on Remuneration in Financial Institutions (Institutsvergütungsverordnung – InstVergV) and requirements at European level.

In the previous Management Board remuneration system, 15 % of the target total remuneration consisted of pension contributions. The discussions held at the ordinary Annual General Meeting 2021 revealed that some of the Bank’s shareholders considered this share to be too high.



The Supervisory Board reacted to this criticism after the 2021 ordinary Annual General Meeting and, when it appointed Mr Klösger as Chairman of the Bank's Management Board, it increased the target variable remuneration significantly in relation to the other remuneration components (from approx. 40 % to approx. 46 %) while significantly reducing the pension contributions proportionally (from approx. 15 % to approx. 8 %).

The diagram below illustrates the ratio between the fixed and variable components of the remuneration of all members of the Management Board.



### 2.3 Fixed remuneration component

The fixed remuneration component of a Management Board member consists of three elements – the fixed annual salary, ancillary benefits, and pension contributions.

#### 2.3.1 Fixed annual salary

Previously, the basic salary paid to the Chairman of the Management Board was € 1,425,000. The Supervisory Board reduced this amount to € 1,200,000 when it appointed Mr Klösger as the new Chairman of the Management Board. The basic salary paid to the ordinary members of the Management Board amounted to € 900,000 p. a. in the reporting year.

#### 2.3.2 Ancillary benefits

As well as paying a fixed annual salary, the Bank grants the members of the Management Board ancillary benefits in line with standard market conditions. For example, Aareal Bank provides a company car to Management Board members, which may also be used for private purposes. If Management Board members decide against a company car, they receive a lump-sum compensation payment instead. Management Board members also receive an amount equivalent to 50 % of the contributions to the statutory social security system.

The members of the Management Board are also granted insurance cover in line with standard market conditions, such as D&O insurance (subject to the statutory deductible), group accident insurance or health insurance for travel abroad. The Bank may also grant other ancillary benefits such as security expenses and travel costs for family visits.

Ancillary benefits can also fluctuate considerably from year to year.

### 2.3.3 Pensions and retirement benefits

The benefit regulations as agreed in the service contracts apply to the members of the Management Board. All members of the Management Board are granted a defined contribution commitment:

To date, this has amounted to a total of € 464,000 p. a. for the Chairman of the Management Board, € 293,000 p. a. in general for ordinary members of the Management Board and thus accounts for 15 % of the target remuneration structure of the Management Board members. These contributions bear interest at a guaranteed rate of 4%.

Management Board members who were appointed prior to 1 January 2013 are entitled to claim pension benefits as of the time at which they turn 60. For members of the Management Board who were appointed on or after 1 January 2013, claims arise as of the time at which they turn 62. In the event of permanent disability, a Management Board member is entitled to claim benefits prior to turning 60 or 62, respectively. In this case, the pension capital earned by the Management Board member is increased by a certain lump sum, which is further specified in the respective employment contract.

The amounts are subject to a guarantee adjustment of 1 % p. a. The pension paid to widows amounts to 60 % of the pension of the member of the Management Board, while pensions to half-orphans and orphans amount to 10 % and not more than 25 %, respectively.

The Supervisory Board made significant changes to the pension arrangements when it appointed Mr Klösger as the new Chairman of the Management Board. By way of example, the contribution for the former Chairman of the Management Board – who retired from the Board during the year under review – was reduced from € 464,000 p. a. to € 200,000 p. a., meaning that it now only corresponds to around 8 % of the target remuneration structure. The guaranteed interest rate of 4 % was also changed to a fund index performance-based interest rate with a 0 % guarantee. Mr Klösger's pension commitment also no longer provides for a monthly, lifelong pension as a fundamental pension benefit. Instead, a one-off lump-sum payment is now provided as standard. All in all, these measures serve to reduce the Bank's accounting risks considerably.

The main aspects of the previous and the new pension system are shown in the table below:

#### Pension commitment overview

	Previous pension commitment	New pension commitment*
<b>Type</b>	Defined contribution	Defined contribution
<b>Duration of contribution</b>	Period of service as Management Board member	Period of service as Management Board member
<b>Amount of contribution</b>	~15% of overall target remuneration	~8% of overall target remuneration
<b>Return</b>	Guaranteed interest rate of 4 % p.a.	Fund index performance-based interest rate with a guarantee covering the contributions made
<b>Payout</b>	<ul style="list-style-type: none"> <li>– Lifelong pension</li> <li>– Lump-sum payment (only with the approval of the Supervisory Board)</li> </ul>	<ul style="list-style-type: none"> <li>– Lump-sum payment</li> <li>– Up to seven annual instalments (only with the Supervisory Board's approval)</li> <li>– Lifelong pension (only with the approval of the Supervisory Board)</li> </ul>
<b>Further terms and conditions</b>	The pension scheme includes benefits in case of disability or death (to the benefit of dependants)	The pension scheme includes benefits in case of disability or death (to the benefit of dependants)

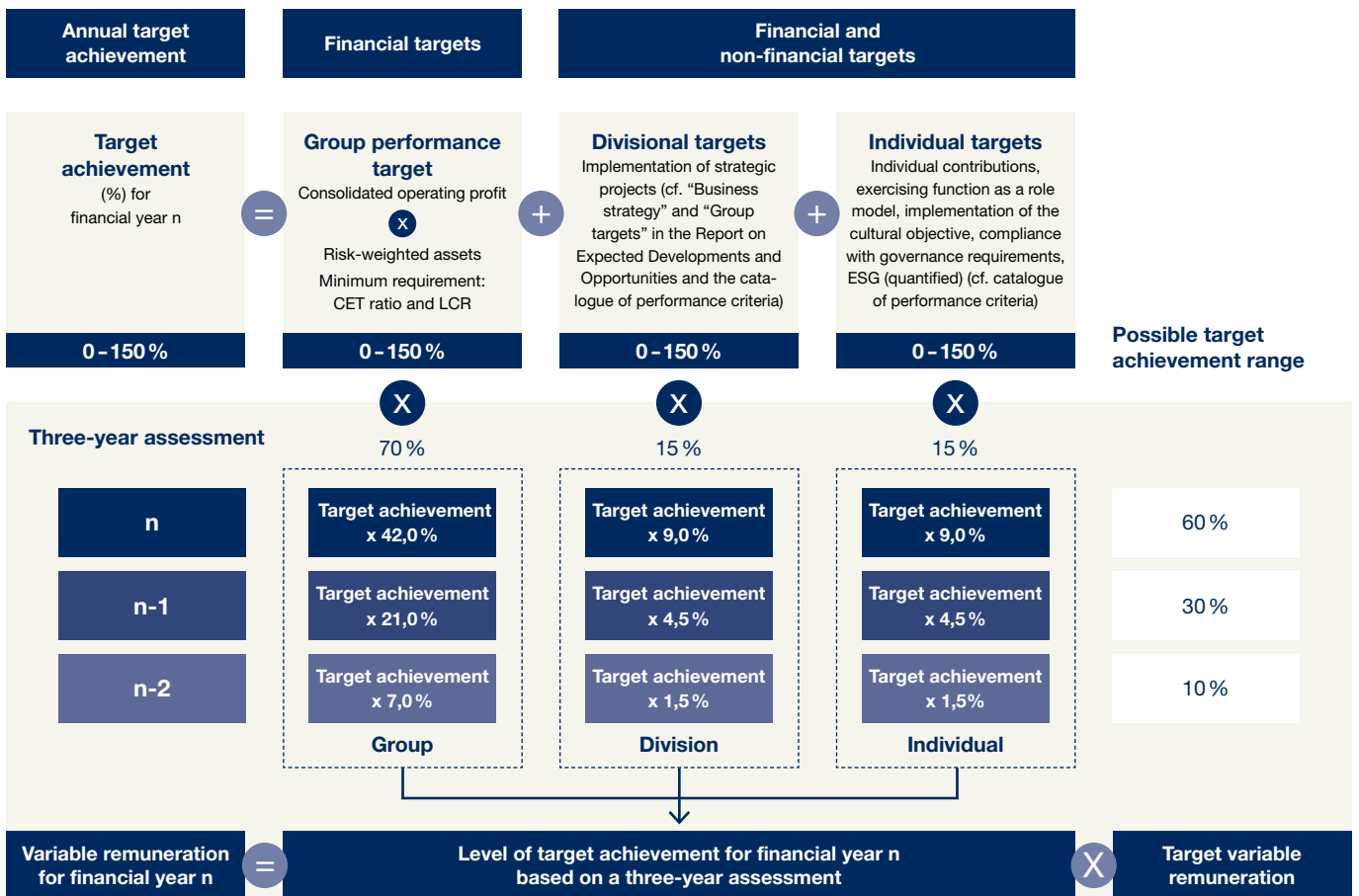
\* already applied for Mr Klösger

**2.4 Performance-related variable remuneration**

**2.4.1 Long-term and sustainable focus of the targets**

The structure of the variable remuneration system is subject to detailed requirements set out in the bank regulatory provisions (e.g. German Banking Act, German Regulation on Remuneration in Financial Institutions). The calculation of the variable remuneration is generally split into two phases. In the first phase, the achievement of targets derived from the strategy is determined over a period of three years at three levels: Group, divisional and individual. The target achievement level is multiplied by the reference value and produces the amount calculated (e.g. for an ordinary member of the Management Board: € 780,000 x 90 % = € 702,000). The amount calculated is then paid out in the second phase in four different components, including 80 % that is paid out on a deferred basis and at least 55 % paid out in virtual shares over a period spanning several years. Among other things, the fact that the targets are geared towards the strategy and the subsequent adjustment based on share price performance over the next six years promotes sustainable and long-term company development while at the same time taking the interests of the shareholders into account. This is also achieved through the malus and clawback rules as well as through the guarantee of sufficient risk-bearing capacity.

**2.4.2 Multi-year performance measurement across different target levels (phase 1)**



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A significant part of Aareal Bank's variable remuneration structure is governed by law: In accordance with the regulatory requirements set out in sections 19 and 20 of the German Regulation on Remuneration in Financial Institutions, the variable remuneration for the members of the Management Board was defined in the reporting year on the basis of three target levels and over a minimum assessment period of three years (2019, 2020 and 2021). Accordingly, the Management Board remuneration system that has applied at Aareal Bank to date, which was submitted to the ordinary Annual General Meeting 2021, provides for three target levels:

- Group performance;
- divisional performance; and
- individual performance.

The targets set at all three levels are focused on sustainable and long-term growth. To measure and monitor target achievement, various KPIs are determined annually for targets, and their degree of achievement is assessed at the end of the financial year. The target achievement level for each target level is thus determined by the respective KPI achievement of the past financial year and by the degrees of KPI achievement of the two previous financial years (**three-year assessment basis**).

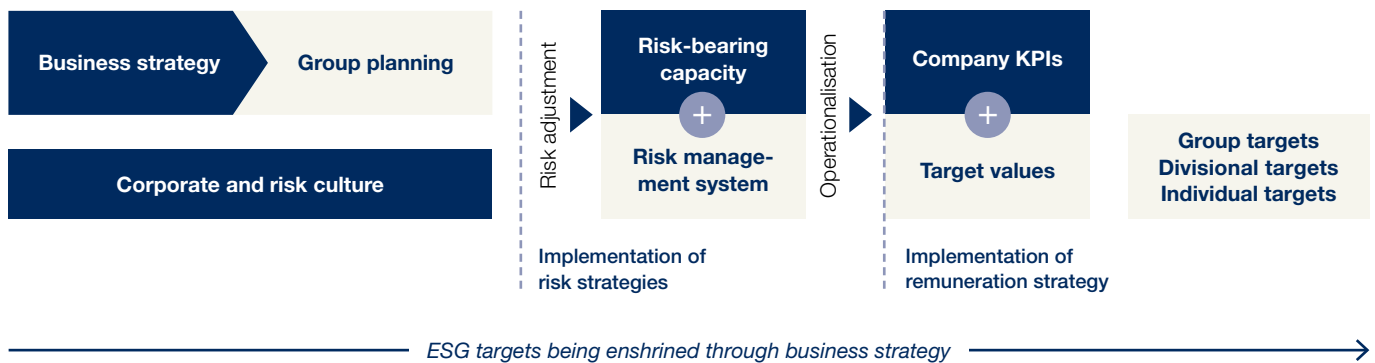
The members of the Management Board are responsible – and epitomise – the Company's success. This is also reflected in the **weighting of the target levels**. Accordingly, achieving Group performance targets accounts for the clear majority (70 %) of target achievement. This target level is determined solely on a quantitative basis; performance is therefore calculated based on whether the target value specified by the Supervisory Board for the components consolidated operating profit, RWA or another annually defined parameter has been achieved using a performance grade. The other two target levels, the divisional and individual target levels, are weighted at 15 % each.

To set ambitious targets and a strong incentive for successful Management Board work, target achievement levels are incorporated at different levels over time. As a result, the target achievement level is calculated by looking at performance in more than one year at all target levels. The most recent reporting year is weighted at 60 %, the preceding one at 30 %, and the oldest year in the assessment period at 10 %. As Mr Klösger only joined the Bank in the course of 2021, his variable remuneration for the year under review is calculated on the basis of his performance during that year. At the same time, the retention period for variable remuneration has been extended from five to seven years. The three-year assessment period will gradually be established over the next reporting years.

The revised Management Board remuneration system to be presented to the ordinary Annual General Meeting 2022 features a number of changes to the target system. In particular, the plan is that, from the 2023 financial year onwards, the divisional and individual target levels will be combined to create one single assessment level.

#### 2.4.3 System for defining targets

Pursuant to section 25c (4a) KWG, the strategy is to be geared towards the Bank's sustainable development. As early on as during the development process, the business strategy is reviewed as to its compatibility with the corporate and risk culture, the risk strategies and the Bank's sustainability approach, and is adjusted if necessary. This means that the remuneration targets and KPIs derived from the strategy do not promote short-term successes, but rather support the Company in its long-term and sustainable development (**pay-for-performance principle**). As a result, they serve the interests of the shareholders, employees and other stakeholders of Aareal Bank Group.



#### 2.4.4 Remuneration targets (ex-ante risk adjustment)

The targets are made up of quantitative and qualitative components. A target value for 100 % target achievement, a minimum ambition level and a maximum achievable value are set for quantitative criteria. Suitable assessment criteria are set for qualitative components. These can include comparisons with project targets, internal and external studies, section-specific reports, as well as statistics on how the Bank is perceived by its employees or clients. Specific target achievement is reported on an ex-post basis.

#### 2.4.5 Group performance targets

Amongst other things, the Company's interests are duly taken into account by the fact that **Group targets** are geared towards the KPIs used for corporate management purposes. These KPIs are generally based directly on the Group's performance indicators, which can be found in the Group Management Report. In order to reduce the influence of one-off effects, certain effects are already excluded from target achievement per se when the targets are set, e.g. changes due to external regulatory requirements, M&A transactions, etc. The Supervisory Board sets target values for the Group and the Management Board sections on the basis of the consolidated operating profit, risk-weighted assets (RWA) or another indicator that it defines based on the performance indicators, and determines the result that constitutes achievement of each target.

For the 2021 financial year, consolidated operating profit was set as earnings target, whereas RWA was used as a risk-adjusted target. The maximum achievement level for target consolidated operating profit is 150 %; for the RWA target, it is 125 %. The overall target achievement level is calculated by multiplying all target values; it is capped at a target achievement level of 150 %.

The revised Management Board remuneration system to be presented to the ordinary Annual General Meeting 2022 features significant changes to the composition of the Group performance targets from the 2023 financial year onwards. In particular, the return on equity, as well as ESG targets at Group level, are to become more of a focal point of the Group targets. Details can be found in the revised remuneration system, which forms part of the agenda for the ordinary Annual General Meeting 2022.

##### 2.4.5.1 Divisional and individual targets

In accordance with the regulatory requirements, the Management Board remuneration system that was applied to 2021 sets divisional and individual targets for the members of the Management Board. The targets set match the catalogue of performance criteria.

### Catalogue of possible performance criteria

Divisional and individual targets	
Key performance indicators used in the Group management system	Strategic project (Aareal Next Level)
Increasing flexibility	Defined ESG indicators (e. g. diversity)
Increase in growth	Establishing sustainability in the core business
Capital market target	Expansion of sustainable products
Market expansion	Innovative power
Budget target	Client satisfaction
Efficiency enhancement	Employee satisfaction
Liquidity planning	Employee communications
Targets for risk indicators	Safeguarding expertise
Effectiveness of the organisation	Transparency (e. g. in ecological aspects)
Scaling client relationships	Empowering the next generation

A maximum of three to four targets are set at divisional level and a maximum of two at individual level.

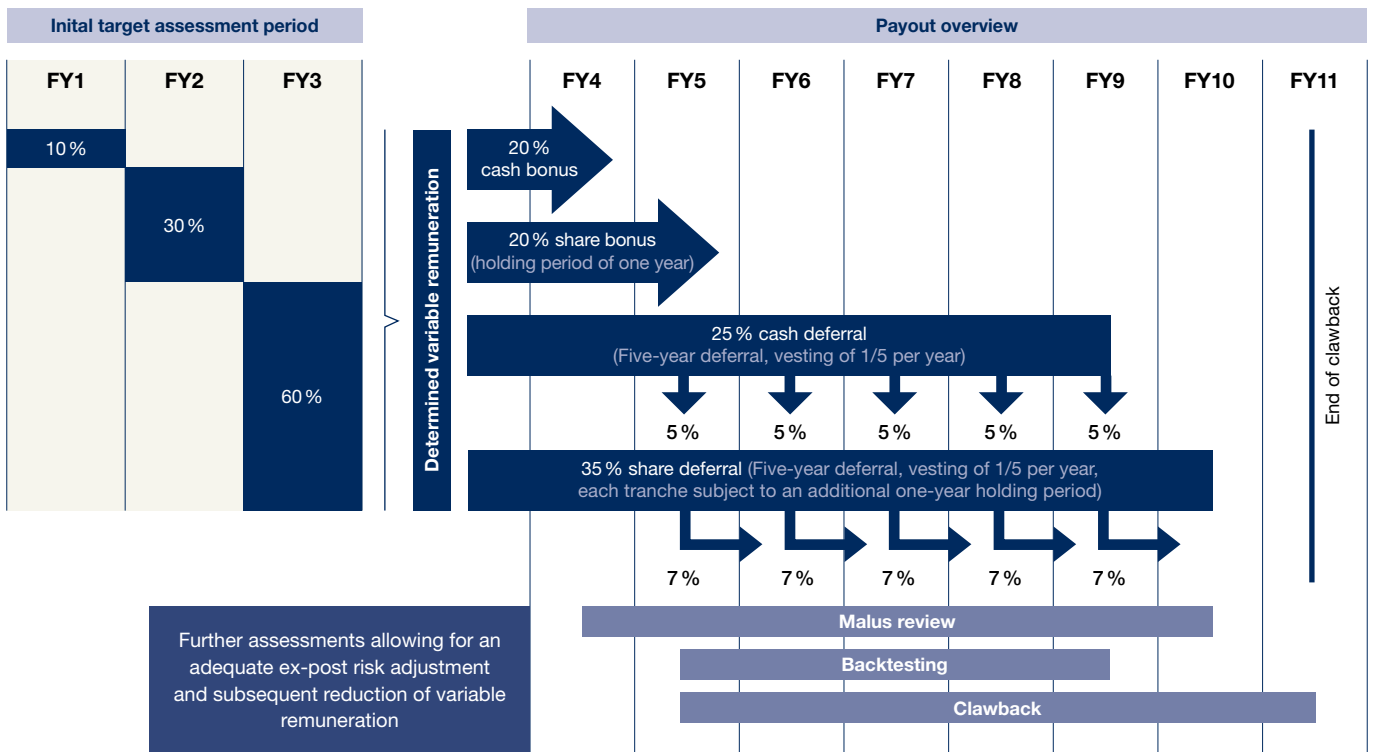
**Divisional targets** are related to the respective Management Board member's area of responsibility pursuant to the schedule of responsibilities. Accordingly, the Supervisory Board sets targets which the organisational units assigned to the respective Management Board members need to fulfil in order to achieve the strategic objectives of the Company as a whole. The Supervisory Board uses the divisional component to measure the contribution to the implementation of the strategy made by the units for which the individual Management Board member is responsible. The KPIs used by the Supervisory Board include qualitative and quantitative criteria. In line with Aareal Bank Group's management system, divisional targets for Management Board members responsible for Sales units comprise growth enhancement and development of main strategic fields of business and are measured, for example, by the level of specific property portfolio increases or the revenue generated with digital products.

**Individual targets** refer to the Management Board members' individual performance as role models for the organisation ("tone from the top"). In this respect, Management Board members also need to achieve material quantitative ESG aspects.

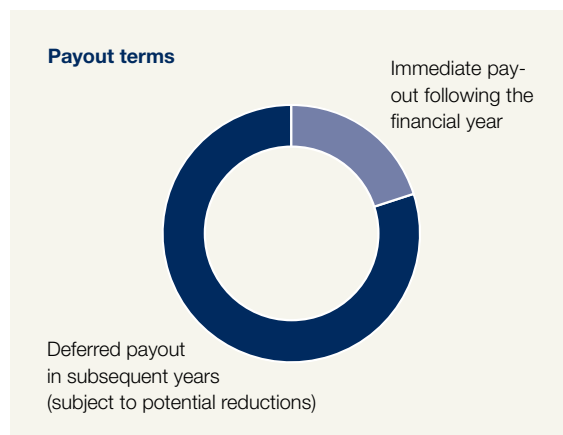
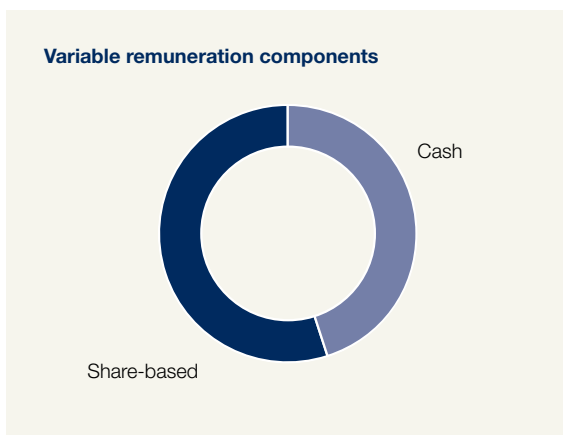
ESG targets are established at both divisional and individual level. The specific ESG target parameters are disclosed as part of the reporting process (annual report for the year concerned) together with the other parameters used. In order to ensure that the increased importance of ESG aspects in Aareal Bank's strategy are adequately reflected in the remuneration system, quantifiable ESG targets will be included in the overall target calculation with a minimum weighting of 15 % from the 2021 reporting year onwards and are covered, in particular, by the individual component. The use of quantitative ESG targets allows for a high level of transparency regarding our ESG focal areas and at the same time creates targeted incentives for a long-term sustainable strategy. In addition to the individual level, the divisional level can also include ESG targets to add more weight to ESG aspects.

The revised Management Board remuneration system to be presented to the ordinary Annual General Meeting 2022, which is to apply from the 2023 financial year onwards, features a number of changes to the divisional and individual targets. In particular, the two target levels are to be combined to create one single target level ("strategic components"). Furthermore, the catalogue of performance criteria was also specified and narrowed down, with at least one target within the strategic component being an ESG target going forward.

**2.5 Deferred disbursement, through retention of variable remuneration components and virtual shares (phase 2)**



Aareal has implemented robust regulations governing retention. These ensure that the remuneration paid to the Management Board members is linked to the institution’s long-term and sustainable success. They also promote alignment with shareholder interests, as 55 % of the variable remuneration is granted in the form of virtual shares, meaning that it is linked to long-term share price performance. As 25 % of the variable remuneration is granted as a deferred cash payment, a total of 80 % of the variable remuneration is paid out as a deferred remuneration component. While the Supervisory Board can opt to adopt, and reach an agreement with the Management Board members on, a different breakdown for the variable remuneration components, care must always be taken to ensure that at least 55 % of the variable remuneration amount that is originally calculated is granted in the form of virtual shares.



### Overview of variable remuneration components

	Share	Deferral period	Payout date (usually April or May)	Share-based
<b>Cash bonus</b>	20 %	n/a	In the first year after the assessment period	No
<b>Share bonus</b>	20 %	n/a (but holding period of one year)	In the second year after the assessment period	Yes (virtual)
<b>Cash deferral</b>	25 %	Payout in equal annual tranches over five years	From the second until the sixth year after the assessment period	No
<b>Share deferral</b>	35 %	Payout in equal annual tranches over five years, each being subject to an additional holding period of one year	From the third until the seventh year after the assessment period	Yes (virtual)

### Further details on share-based remuneration

<b>Initial conversion</b>	The share-based portion of the variable remuneration is converted into a corresponding number of virtual shares. The number of virtual shares is calculated based on the weighted average Aareal Bank share price on the five (Xetra <sup>®</sup> ) stock exchange trading days following the publication of the preliminary business figures for the financial year for which the share-based variable remuneration is being granted.
<b>Amount disbursed</b>	Before the share bonus/share deferral tranche is paid out, the virtual shares are converted into a cash amount based on the weighted average Aareal Bank share price on the five (Xetra <sup>®</sup> ) stock exchange trading days following the publication of the preliminary business figures for the year prior to the payout.
<b>Cap</b>	The amount paid out for the share-based remuneration components for a given financial year can vary depending on share price performance and is capped at 300 % of the amount of the share bonus/share deferral component calculated based on the bonus amount initially calculated.
<b>Dividends</b>	In accordance with the regulatory requirements for banks, Management Board members do not receive any dividend payments for the share-based remuneration components of their variable remuneration during the retention period. If dividends are paid on shares in Aareal during the holding period, a payment is made as a salary component in the amount of the dividend and the portion of the virtual shares.
<b>Changes in structure</b>	If the number of shares issued by Aareal changes during the retention/holding period, the number of virtual shares can be adjusted.



## 2.6 Ex-post review of target achievement and behaviour of the Management Board members

In accordance with the regulatory requirements, the Management Board members are only entitled to the deferred variable remuneration components when they are paid out. Before the payment is made, the Supervisory Board performs several checks to determine whether deferred variable remuneration components should be reduced or even clawed back (ex-post risk adjustment). In addition, all deferred variable remuneration tranches are subject to the risk-bearing capacity requirements described above (see section entitled “Additional ex-ante risk adjustment”).

### Ex-post risk adjustment

<b>Backtesting</b>	Before the retention period of a deferred tranche ends, the Supervisory Board performs a retrospective review of the original performance measurement. If, for example, an indicator used to determine variable remuneration needs to be adjusted retrospectively, this can result in the variable remuneration components being reduced retrospectively before they vest.
<b>Malus</b>	Until they are paid out, variable remuneration components remain subject to the same malus review as before the initial determination of the variable remuneration, which allows for a subsequent reduction or even the cancellation of the entire variable remuneration.  Events that can trigger a malus include intentional breaches of internal or external regulations, conduct that damages the Bank's reputation and negative contributions to performance resulting in substantial losses or significant regulatory sanctions.
<b>Clawbacks</b>	The variable remuneration for Management Board members is also subject to clawback regulations. In cases involving negative performance contributions (see below), the Supervisory Board can claw back variable remuneration components that have already been paid out for up to two years after the end of the last retention period for the variable remuneration paid out for the financial year in question.

### Further details on malus and clawback regulations

When determining the variable remuneration and before the retention period for a deferred tranche ends, or the tranche is paid out, the Supervisory Board performs a review, in line with the regulatory requirements, to determine whether there are any reasons that could justify a reduction in, or even the full cancellation of, the variable remuneration. These malus-triggering events can, for example, include scenarios involving certain forms of unconscionable behaviour or behaviour in breach of duties, or so-called negative performance contributions by the Management Board member.

Negative performance contributions include, for example, situations where the Board member was materially involved in (or materially responsible for) conduct that resulted in a substantial loss to the institution or a significant regulatory sanction, and also where the Board member has proven to have seriously violated certain relevant regulations regarding suitability and conduct.

The variable remuneration is reduced to zero in the event of negative performance contributions. The Supervisory Board has concluded clawback agreements with the Management Board members based on which the variable remuneration can be clawed back, in the event of negative performance contributions, for a period of up to two years after the end of the last retention period for the variable remuneration paid for the financial year in question.

## 2.7 Payments made upon regular or early contract termination

The table below shows the payments made upon regular or early contract termination. Information on pension commitments is provided in the chapter on “Pensions”.

<b>Treatment of remuneration components in the event of leaving the Company</b>	In the event of regular or early contract termination, the retention periods and holding periods for deferred remuneration components are not shortened by the termination. The deferred remuneration components remain subject to the same backtesting, malus and clawback conditions even after the termination of the individual's contract. For the year during which the contract was terminated, variable remuneration is determined pro rata temporis, based on the duration of the employment in the given financial year.
<b>Early termination</b>	<p>In accordance with the German Public Limited Companies Act (AktG), employment contracts do not provide for any option for termination for convenience; this does not affect the right of both parties to terminate the employment contract for good cause without notice.</p> <p>The Management Board member's contract ends automatically if the member becomes permanently incapacitated for work as defined by the individual contracts. In such cases, the Management Board employment contracts may provide for the continued payment of the member's fixed annual remuneration (plus (substitute) social security contributions) from the start of the permanent incapacity for work and for a period of up to six months (taking into account those periods for which continued salary payments have already been made). The continued payments cannot, however, extend beyond the date on which the employment relationship would have normally ended.</p> <p>The service contracts may state that, if a member of the Management Board dies during the term of his/her contract, widows, widowers or partners and legitimate children (provided they have not yet turned 27 and are still in vocational training/further education) are entitled, as joint and several creditors, to continued fixed salary payments for the month of death and the following six months, but until the contract ends at the latest. In such cases, the variable remuneration is calculated pro rata temporis for the period leading up to the member's death.</p>
<b>Severance payments</b>	<p>The Management Board service contracts do not include any obligation to make a severance payment in the event of premature termination. Service contracts since 2021 onwards also do not feature any change-of-control clause providing for severance pay. The service contracts concluded prior to 2021 include change-of-control clauses that provide for severance pay in certain cases. If these members were to be reappointed, the change-of-control clauses would no longer be included in that member's extended employment contract.</p> <p>Severance payments can still be included in individual cancellation of contract agreements provided that they are consistent with the regulatory requirements, in particular the German Regulation on Remuneration in Financial Institutions. The employment contracts concluded with the Management Board members stipulate that, in the event that the contract is terminated early for a reason other than good cause, severance pay must not exceed the value of two annual remuneration payments and must not pay remuneration for more than the residual term of the member's contract (severance cap).</p>
<b>Non-compete clause</b>	The service contracts do not contain any non-compete clauses with waiting allowances. The Supervisory Board can agree a post-contractual non-compete clause for a period of up to 24 months. For this period, appropriate compensation would be determined on a case-by-case basis. If post-contractual non-compete clauses were agreed, any severance payments would be taken into account in the calculation of any waiting allowance.
<b>Temporary incapacity for work</b>	In the event of temporary, non-permanent incapacity for work, members of the Management Board continue to receive their fixed annual remuneration for a period of up to six months. The Supervisory Board has the discretion to decide whether the variable remuneration components are also granted in full or in part for the periods in which continued salary payments are made. For newly appointed Management Board members, or members reappointed from 2021 onwards, the service contracts contain a provision stating that no variable remuneration components are granted for periods exceeding three months in the financial year in question.

## 2.8 Deviations from the remuneration system

The remuneration system presented to the ordinary Annual General Meeting 2021 was applied to the Management Board members appointed prior to the reporting year, without any deviations.

As shown above, Aareal Bank has responded to the rejection of the previous remuneration system by the 2021 ordinary Annual General Meeting and has structured Mr Klösge's remuneration based on conditions that match the remuneration system presented to the 2022 ordinary Annual General Meeting. The target variable remuneration, for example, has been increased significantly in relation to the other remuneration components (from approx. 40 % to approx. 46 %) and the pension contributions have been reduced significantly in relation to the other components (from approx. 15 % to approx. 8 %).

In addition, and in line with the remuneration system to be presented to the ordinary Annual General Meeting 2022, Mr Klösge is already subject to the revised pension commitment, which only provides for a fund index performance-based interest rate with a guarantee covering the contributions made.

## 3. Target achievement in the 2021 financial year

Notwithstanding the Management Board's overall responsibility for the Bank's management, specific divisional and individual targets were agreed upon for each Management Board member. The three-year assessment period means that the overall target achievement level also reflects target achievement in the 2019 and 2020 financial years. It is only in Mr Klösge's case that the overall target achievement level is based exclusively on target achievement in the 2021 financial year, as Mr Klösge only joined the Bank in the course of this financial year. In return, his variable remuneration is subject to a seven-year as opposed to a five-year retention period in line with the regulatory requirements.

The assessment of the individual targets regarding variable remuneration in the year under review yielded the following results:

	Jochen Klösge	Marc Hess	Christiane Kunisch-Wolff	Christof Winkelmann	Dagmar Knopek	Thomas Ortmanns	Hermann J. Merkens
%							
<b>2021 Overall Bank performance</b>	<b>148</b>						
Divisional targets	105	112	106	110	100	101	0
Individual targets	125	142	135	135	125	120	
<b>2020 Overall Bank performance</b>	<b>20</b>						
Divisional targets		110	110	110	110	110	110
Individual targets		130	120	120	120	130	130
<b>2019 Overall Bank performance</b>	<b>100</b>						
Divisional targets		100	100	100	100	100	100
Individual targets		110	100	110	100	100	100
<b>Overall target achievement level for 2021</b>	<b>138.10</b>	<b>110.17</b>	<b>108.40</b>	<b>108.91</b>	<b>106.96</b>	<b>107.05</b>	<b>24.70</b>
<b>Amount of variable remuneration (€)</b>	<b>412,222<sup>1)</sup></b>	<b>859,326</b>	<b>845,520</b>	<b>849,498</b>	<b>345,144</b>	<b>624,526</b>	<b>101,507<sup>2)</sup></b>

<sup>1)</sup> Given an overall target achievement level of 138.1 %, the imputed variable remuneration for Mr Klösge would have amounted to € 490,000 (rounded figure). However, since in accordance with the requirements set out in the German Banking Act, variable remuneration must not exceed 100 % of fixed remuneration (bonus cap), variable remuneration was limited to € 412,222.

<sup>2)</sup> Mr Merkens was relieved from his duties as a member and Chairman of the Management Board from the beginning of the year under review until his retirement from the Board. The target achievement level for the annual targets related to the financial year 2021 was determined at 0 %. Given the three-year assessment period, which also includes target achievement for 2019 and 2020, the overall target achievement level was 24.7 %.

### 3.1 Group performance targets 2021

The target achievement level for the Group performance is calculated by multiplying the target achievement level for an earnings target with a risk-adjusting indicator. At the beginning of the year, consolidated operating profit before taxes of € 136 million (adjusted) and a target RWA level of € 13.91 billion based on Basel IV IRBA (adjusted) – as a risk-adjusting indicator – were set as the earnings target for 100% target achievement.

Thresholds were set for both target parameters which, if undercut or – in the case of RWA – exceeded, result in a target achievement level of zero.

Aareal Bank exceeded its targets for 2021 by a wide margin and is back on track for success after a negative result in 2020 due to the Covid-19 crisis. The members of the Management Board played a key role in this success story. This is also reflected in the Group target achievement level in particular.

	Operating profit before taxes	Risk-weighted assets (IRBA – Basel IV)
<b>Link to strategy</b>	Operating profit before taxes is the key Group performance indicator that reflects the Bank's profitability and cost situation, and also plays a decisive role in the Bank's external communication and how it is viewed externally.	Risk-weighted assets are a key performance indicator with regard to the Bank's risk position and are also a key regulatory indicator of compliance with the capital requirements.
<b>Target achievement in %</b>	133.09%	111.2%
<b>Overall Group target achievement in %</b>	148 % (product of both individual target achievement levels)	

### 3.2 Outlook for 2022

The Group target achievement level for the 2022 financial year will once again be calculated based on the existing remuneration system, meaning that it will again be derived from the target achievement levels for operating profit/loss before taxes and risk-weighted assets.

The Group targets are to be changed for the financial years from 2023 onwards. In particular, the target system is to be revised to place more of an emphasis on the aspects of return on investment, profitability and ESG. More details can be found in the revised Management Board remuneration system, which will be presented to the ordinary Annual General Meeting 2022 for a vote on its adoption.

### 3.3 Divisional targets for 2021

Notwithstanding the Management Board's overall responsibility for the Bank's management, specific divisional and individual targets were agreed upon for each Management Board member. Whilst the individual targets reflect especially the individual contributions of each Management Board member, the divisional targets are meant to reflect the target achievement of the respective Management Board member's area of responsibility. Thus, the strategic initiatives and measures defined and implemented in the respective area of responsibility are the main basis for determining divisional targets. Furthermore, various ESG targets (derived from the business strategy) have been agreed upon on both levels.

#### Divisional targets

Weight	Targets	KPI	Target achievement	Target achievement divisional component
<b>Jochen Klösger</b>				
25 %	Extensive stakeholder management	Coordination and mediation between various stakeholder groups	120 %	
25 %	Say on pay	Application of changes in Management Board remuneration to employee remuneration systems	100 %	
25 %	Aareon growth strategy	– Defined level for Aareon's sales revenue – Defined level for Aareon's adjusted EBITDA – Implementation of Aareon Value Creation Programme	101 %	105 %
25 %	Further development of IT strategy	In particular, further leveraging of the S4 hana platform and reduction in complexity	100 %	
<b>Marc Hess</b>				
33 %	Capital management	– Assessment of free capital allocation – Defined level of the CET1 ratio	106 %	
33 %	Divisional contribution to Group result	– Adherence to cost budget – Provision of sufficient refinancing for targeted lending volumes – Establishment of a CP programme	121 %	112 %
33 %	Exploit ESG opportunities and assess ESG risks	– Preparation and implementation of a green bond issue – Achievement of divisional milestones in the ESG initiative	110 %	
<b>Christiane Kunisch-Wolff</b>				
33 %	Anticipate supervisory requirements	– Implementation of EBA requirements – Implementation of ICAAP/ILAAP requirements – Support for and management of the integration of the CLO unit	117 %	
33 %	Divisional contribution to Group result	– Adherence to cost budget	100 %	106 %
33 %	Exploit ESG opportunities and assess ESG risks	Further development of existing coordination functions, and of the control system	100 %	

Weight	Targets	KPI	Target achievement	Target achievement divisional component
<b>Christof Winkelmann</b>				
33 %	Increase balance sheet flexibility while maintaining clout on relevant markets	<ul style="list-style-type: none"> <li>– Defined volume of assets under management</li> <li>– Further development of exit strategies</li> </ul>	108 %	
33 %	Orient business on cycles and align it flexibly	<ul style="list-style-type: none"> <li>– Defined volume of new business</li> <li>– Contribution to operating result via RSF</li> <li>– Continuous increase in portfolio flexibility</li> </ul>	122 %	110 %
33 %	Exploit ESG opportunities and assess ESG risks	Consideration of ESG criteria in the core business and development of product strategy	100 %	
<b>Dagmar Knopek</b>				
33 %	Increase balance sheet flexibility while maintaining clout on relevant markets	<ul style="list-style-type: none"> <li>– Implementation of de-risking strategy</li> <li>– Further development of servicing activities and expansion of servicing capabilities</li> </ul>	100 %	
33 %	Exploit ESG opportunities and assess ESG risks	Further digitalisation of internal processes	100 %	100 %
33 %	Divisional contribution to Group result	Adherence to cost budget	100 %	
<b>Thomas Ortmanns</b>				
33 %	Leverage and grow the business in the housing sector and related industries	<ul style="list-style-type: none"> <li>– Defined level of net commission income generated by BDS</li> <li>– Contribution to operating result via BDS</li> <li>– EPP and PlusForta rollout</li> </ul>	103 %	
33 %	Implement expansion strategy through organic growth and M&A opportunities/development to become a Rule of 40 company	<ul style="list-style-type: none"> <li>– Defined level for Aareon's sales revenue</li> <li>– Defined level for Aareon's adjusted EBITDA</li> <li>– Implementation of Aareon Value Creation Programme</li> </ul>	101 %	101 %
33 %	Promote technical transformation	In particular, further leveraging of the S4 hana platform and reduction in complexity	100 %	

### 3.4 Individual targets for 2021

The individual targets for the 2021 financial year consisted exclusively of ESG targets. The focus in the financial year under review was on continuing to work towards rejuvenating the Bank and promoting the next generation. By way of example, all Management Board members were assigned individual targets relating to the share of young professionals in relation to total new hires in their respective sections.

**Individual targets**

Targets	KPI	Target achievement
<b>Jochen Klösger</b>		
Strengthening of ESG components	<ul style="list-style-type: none"> <li>– Development of induction plan (incl. ESG concept)</li> <li>– Defined share of junior staff in recruitment within the sphere of responsibility</li> </ul>	125 %
<b>Marc Hess</b>		
Strengthening of ESG components	<ul style="list-style-type: none"> <li>– Monitoring and further development of the governance structure, as well as communication of the revised strategic programme and cross-sectional management of strategic implementation</li> <li>– Defined share of junior staff in recruitment within the sphere of responsibility</li> </ul>	142 %
<b>Christiane Kunisch-Wolff</b>		
Strengthening of ESG components	<ul style="list-style-type: none"> <li>– Implement regulatory ESG requirements in CRO, Compliance, Anti-Financial Crime and ISD</li> <li>– Defined share of junior staff in recruitment within the sphere of responsibility</li> </ul>	135 %
<b>Christof Winkelmann</b>		
Strengthening of ESG components	<ul style="list-style-type: none"> <li>– Management of RSF-T</li> <li>– Issue of green loan in 2021</li> <li>– Defined share of junior staff in recruitment within the sphere of responsibility</li> </ul>	135 %
<b>Dagmar Knopek</b>		
Strengthening of ESG components	<ul style="list-style-type: none"> <li>– Enhancing the portfolio's ESG transparency</li> <li>– Defined share of junior staff in recruitment within the sphere of responsibility</li> </ul>	125 %
<b>Thomas Ortmanns</b>		
Strengthening of ESG components	<ul style="list-style-type: none"> <li>– "Green IT" – implementation of digital BDS and Aareon products</li> <li>– Defined share of junior staff in recruitment within the sphere of responsibility</li> </ul>	120 %

**3.5 Malus review, backtesting, clawback, risk-bearing capacity**

In March 2022, as part of the annual malus review, the Supervisory Board checked whether there were any factors that could lead to a reduction in the variable remuneration for the past financial year or a subsequent reduction in and/or a subsequent clawback of the variable remuneration for previous years. No such factors were identified.

The annual review of risk-bearing capacity in accordance with section 7 of the German Regulation on Remuneration in Financial Institutions revealed that, from the perspective of risk-bearing capacity, there are no factors arguing against determining the variable remuneration for 2021 and paying out deferred remuneration components from previous years.

**3.6 Other information**

No severance payments were agreed with Management Board members in the last financial year. The three members of the Management Board who left the Bank during the financial year under review, Dagmar Knopek, Hermann J. Merken and Thomas Ortmanns, each left without receiving severance pay.

Mr Merkens' employment contract ended on 30 April 2021 due to permanent incapacity for work. In this case, the provisions of the employment contract provide for continued payment of the fixed annual remuneration for a period of up to six months. As periods of continued salary payments due to temporary incapacity for work count towards this period, Mr Merkens went on to receive continued fixed annual remuneration payments for a period of seven days. In accordance with the provisions of the service contract, the Supervisory Board decided that variable remuneration be continued for the period of temporary incapacity for work.

Mr Merkens was relieved from his duties as a member and Chairman of the Management from the beginning of the year under review until his retirement from the Board. The target achievement level for the annual targets related to the financial year 2021 was determined at 0%. Given the three-year assessment period, which also includes target achievement for 2019 and 2020, the overall target achievement level was 24.7%.

Jochen Klösger was not granted any sign-on bonus, bonus buy-out or similar bonus when he joined the Bank.

No member of the Management Board was promised any kind of remuneration by third parties – neither in connection with their activity as member of the Management Board of Areal Bank nor in connection with the takeover bid made by Atlantic BidCo GmbH.

#### 4. (Virtual) shareholdings of Management Board members and share-based remuneration

More than half of the variable remuneration is granted in the form of virtual shares. The long retention periods mean that Management Board members typically earn virtual shares amounting to more than 100% of their fixed annual salary at the latest after three years of service, and will usually remain above this threshold until the end of their office on the Management Board.

The following table illustrates the number of virtual shares which are subject to retention for each member of the Management Board, as well as their value as a percentage of the basic remuneration paid during the year under review.

	Number of outstanding virtual shares at the end of the financial year	Virtual shares determined for the reporting year	Total number of shares	Total value of virtual shares (in €) <sup>1)</sup>	Total value of virtual shares (in % of the basic remuneration for the reporting year)
Jochen Klösger		8,523	8,523	226,722	64 %
Marc Hess	25,135	17,768	42,903	1,141,228	127 %
Christiane Kunisch-Wolff	34,577	17,483	52,059	1,384,776	154 %
Christof Winkelmann	33,588	17,565	51,153	1,360,663	151 %
Dagmar Knopek	37,794	7,136	44,931	1,195,157	319 %
Hermann J. Merkens	62,275	1,908	64,183	1,707,263	359 %
Thomas Ortmanns	38,593	12,913	51,506	1,370,050	203 %
<b>Total</b>	<b>231,961</b>	<b>83,296</b>	<b>315,258</b>	<b>8,385,859</b>	<b>183 %</b>

<sup>1)</sup> The total value of the virtual shares was calculated based on a share price of € 26.60. This is the weighted average price for the first five (Xetra) exchange trading days following the publication of the preliminary business figures for the reporting year. This price is also used to convert the variable remuneration for the reporting year into virtual shares.



## 5. Adherence to maximum remuneration

The remuneration paid to the Management Board members is capped in three ways.

First, the variable remuneration calculated is based directly on the overall target achievement level, the maximum target achievement level for which is 150 %.

Second, the Bank is subject to the requirements set out in the German Banking Act, which stipulates that the variable remuneration must not exceed 100 % of the fixed remuneration (basic salary plus pension contribution) (bonus cap).

Third, the Management Board remuneration system provides for maximum remuneration of € 5.5 million per Management Board member in accordance with section 87 (1) sentence 2 no. 1 of the AktG, which limits the total amount of remuneration actually paid out for a financial year. The revised Management Board remuneration system to be presented to the ordinary Annual General Meeting 2022 provides for a reduction in the maximum remuneration (as defined in section 87 (1) sentence 2 no. 1 of the AktG) from € 5.5 million to € 4.5 million. As a matter of principle, compliance with the maximum remuneration (as defined in section 87 (1) sentence 2 no. 1 of the AktG) can only be reported in the Remuneration Report for the reporting year in which the last tranche of the variable remuneration for 2021 is paid out. This is 2028 or, in Mr Klösches' case, 2030 due to the longer retention period.

If it is already certain that the maximum remuneration will be exceeded before that point in time, payment of those remuneration components that are responsible for the maximum remuneration being exceeded is capped. In this sort of scenario, compliance with the maximum remuneration would be reported in the financial year in which the cap is imposed.

## 6. Amount of remuneration in the reporting year

Despite higher target achievement levels for the 2021 financial year, the total remuneration calculated for the Management Board as a whole fell overall as against the 2020 financial year, from € 9.6 million to € 8.6 million. This was due, in particular, to the reduced number of Management Board members during the reporting year, as well as to the lower target total remuneration paid to Mr Klösches compared to Mr Merkens as Chairman of the Management Board.

The table below illustrates the remuneration calculated by the Supervisory Board for the reporting year. The multi-year variable remuneration components are subject to the conditions of ex-post risk adjustment as described in this report, and partially depend on Aareal Bank's share price performance. Therefore, there may be deviations in subsequent years between the amount defined initially and the amount which is actually paid out.

	2021				2020
	Basic salary	Variable remuneration due immediately	Multi-year variable remuneration	Total remuneration (excluding ancillary benefits)	Total remuneration (excluding ancillary benefits)
€ 000's					
Jochen Klösches	353	82	330	766	
Marc Hess	900	172	687	1,759	1,468
Christiane Kunisch-Wolff	900	169	676	1,746	1,455
Christof Winkelmann	900	170	680	1,749	1,459
Dagmar Knopek	375	69	276	720	1,451
Hermann J. Merkens	475	20	81	576	2,321
Thomas Ortmanns	675	125	500	1,300	1,462
<b>Total</b>	<b>4,578</b>	<b>807</b>	<b>3,230</b>	<b>8,616</b>	<b>9,616</b>

### 6.1 Target remuneration and allocation to remuneration components

The tables below show the target remuneration, the actual remuneration, the minimum and maximum remuneration, as well as the allocation to the individual remuneration components, including ancillary benefits, for each Management Board member who was active in the reporting year.

The actual remuneration is the remuneration defined for the financial year, irrespective of the year in which it is paid out, irrespective of any subsequent changes in value due to share price fluctuations and irrespective of any potential subsequent reductions due to backtesting, malus scenarios or clawbacks.

Jochen Klösger	2021						2020	
	Actual (€ 000's)	Actual (in %)	Target (€ 000's)	Target (in %)	Min. (€ 000's)	Max. (€ 000's)	Actual (€ 000's)	Target (€ 000's)
Fixed remuneration	353	45 %	353	49 %	353	353		
Ancillary benefits	13	2 %	13	2 %	13	13		
<b>Total fixed remuneration</b>	<b>366</b>	<b>47 %</b>	<b>366</b>	<b>51 %</b>	<b>366</b>	<b>366</b>	<b>0</b>	<b>0</b>
One-year variable remuneration	82	11 %	71	10 %		82		
Multi-year variable remuneration								
Share bonus	82	11 %	71	10 %		82		
Cash deferral	103	13 %	89	12 %		103		
Share deferral	144	19 %	124	17 %		144		
<b>Total variable remuneration</b>	<b>412</b>	<b>53 %</b>	<b>355</b>	<b>49 %</b>	<b>0</b>	<b>412</b>	<b>0</b>	<b>0</b>
<b>Total remuneration</b>	<b>778</b>	<b>100 %</b>	<b>721</b>	<b>100 %</b>	<b>366</b>	<b>778</b>	<b>0</b>	<b>0</b>

Marc Hess	2021						2020	
	Actual (€ 000's)	Actual (in %)	Target (€ 000's)	Target (in %)	Min. (€ 000's)	Max. (€ 000's)	Actual (€ 000's)	Target (€ 000's)
Fixed remuneration	900	50 %	900	52 %	900	900	900	900
Ancillary benefits	49	3 %	49	3 %	49	49	101	101
<b>Total fixed remuneration</b>	<b>949</b>	<b>52 %</b>	<b>949</b>	<b>55 %</b>	<b>949</b>	<b>949</b>	<b>1,001</b>	<b>1,001</b>
One-year variable remuneration	172	10 %	156	9 %		234	114	156
Multi-year variable remuneration								
Share bonus	172	10 %	156	9 %		234	114	156
Cash deferral	215	12 %	195	11 %		293	142	195
Share deferral	301	17 %	273	16 %		410	199	273
<b>Total variable remuneration</b>	<b>859</b>	<b>48 %</b>	<b>780</b>	<b>45 %</b>	<b>0</b>	<b>1,170</b>	<b>568</b>	<b>780</b>
<b>Total remuneration</b>	<b>1,809</b>	<b>100 %</b>	<b>1,729</b>	<b>100 %</b>	<b>949</b>	<b>2,119</b>	<b>1,569</b>	<b>1,781</b>

Christiane Kunisch-Wolff	2021						2020	
	Actual (€ 000's)	Actual (in %)	Target (€ 000's)	Target (in %)	Min. (€ 000's)	Max. (€ 000's)	Actual (€ 000's)	Target (€ 000's)
Fixed remuneration	900	50 %	900	52 %	900	900	900	900
Ancillary benefits	42	3 %	42	2 %	42	42	39	39
<b>Total fixed remuneration</b>	<b>942</b>	<b>52 %</b>	<b>942</b>	<b>55 %</b>	<b>942</b>	<b>942</b>	<b>939</b>	<b>939</b>
One-year variable remuneration	169	9 %	156	9 %		234	111	156
Multi-year variable remuneration								
Share bonus	169	10 %	156	9 %		234	111	156
Cash deferral	211	12 %	195	11 %		293	139	195
Share deferral	296	17 %	273	16 %		410	194	273
<b>Total variable remuneration</b>	<b>846</b>	<b>48 %</b>	<b>780</b>	<b>45 %</b>	<b>0</b>	<b>1,170</b>	<b>555</b>	<b>780</b>
<b>Total remuneration</b>	<b>1,787</b>	<b>100 %</b>	<b>1,722</b>	<b>100 %</b>	<b>942</b>	<b>2,112</b>	<b>1,494</b>	<b>1,719</b>

Christof Winkelmann	2021						2020	
	Actual (€ 000's)	Actual (in %)	Target (€ 000's)	Target (in %)	Min. (€ 000's)	Max. (€ 000's)	Actual (€ 000's)	Target (€ 000's)
Fixed remuneration	900	50 %	900	52 %	900	900	900	900
Ancillary benefits	38	2 %	38	2 %	38	38	35	35
<b>Total fixed remuneration</b>	<b>938</b>	<b>52 %</b>	<b>938</b>	<b>55 %</b>	<b>938</b>	<b>938</b>	<b>935</b>	<b>935</b>
One-year variable remuneration	170	10 %	156	9 %		234	112	156
Multi-year variable remuneration								
Share bonus	170	10 %	156	9 %		234	112	156
Cash deferral	212	12 %	195	11 %		293	140	195
Share deferral	297	17 %	273	16 %		410	196	273
<b>Total variable remuneration</b>	<b>849</b>	<b>48 %</b>	<b>780</b>	<b>45 %</b>	<b>0</b>	<b>1,170</b>	<b>559</b>	<b>780</b>
<b>Total remuneration</b>	<b>1,787</b>	<b>100 %</b>	<b>1,718</b>	<b>100 %</b>	<b>938</b>	<b>2,108</b>	<b>1,494</b>	<b>1,715</b>

Dagmar Knopek	2021						2020	
	Actual (€ 000's)	Actual (in %)	Target (€ 000's)	Target (in %)	Min. (€ 000's)	Max. (€ 000's)	Actual (€ 000's)	Target (€ 000's)
Fixed remuneration	375	51 %	375	52 %	375	375	900	900
Ancillary benefits	17	2 %	17	2 %	17	17	39	39
<b>Total fixed remuneration</b>	<b>392</b>	<b>53 %</b>	<b>392</b>	<b>55 %</b>	<b>392</b>	<b>392</b>	<b>939</b>	<b>939</b>
One-year variable remuneration	69	9 %	65	9 %		97	110	156
Multi-year variable remuneration								
Share bonus	69	9 %	65	9 %		97	110	156
Cash deferral	86	12 %	81	11 %		121	138	195
Share deferral	121	16 %	113	16 %		169	193	273
<b>Total variable remuneration</b>	<b>345</b>	<b>47 %</b>	<b>323</b>	<b>45 %</b>	<b>0</b>	<b>484</b>	<b>551</b>	<b>780</b>
<b>Total remuneration</b>	<b>737</b>	<b>100 %</b>	<b>715</b>	<b>100 %</b>	<b>392</b>	<b>876</b>	<b>1,490</b>	<b>1,719</b>

Hermann J. Merkens	2021						2020	
	Actual (€ 000's)	Actual (in %)	Target (€ 000's)	Target (in %)	Min. (€ 000's)	Max. (€ 000's)	Actual (€ 000's)	Target (€ 000's)
Fixed remuneration	475	77 %	475	51 %	475	475	1,425	1,425
Ancillary benefits	39	6 %	39	4 %	39	39	70	70
<b>Total fixed remuneration</b>	<b>514</b>	<b>84 %</b>	<b>514</b>	<b>56 %</b>	<b>514</b>	<b>514</b>	<b>1,495</b>	<b>1,495</b>
One-year variable remuneration	20	3 %	82	9 %		123	179	240
Multi-year variable remuneration								
Share bonus	20	3 %	82	9 %		123	179	360
Cash deferral	30	5 %	123	13 %		185	269	240
Share deferral	30	5 %	123	13 %		185	269	360
<b>Total variable remuneration</b>	<b>102</b>	<b>16 %</b>	<b>411</b>	<b>44 %</b>	<b>0</b>	<b>616</b>	<b>896</b>	<b>1,200</b>
<b>Total remuneration</b>	<b>616</b>	<b>100 %</b>	<b>925</b>	<b>100 %</b>	<b>514</b>	<b>1,131</b>	<b>2,390</b>	<b>2,695</b>

Thomas Ortmanns	2021						2020	
	Actual (€ 000's)	Actual (in %)	Target (€ 000's)	Target (in %)	Min. (€ 000's)	Max. (€ 000's)	Actual (€ 000's)	Target (€ 000's)
Fixed remuneration	675	51 %	675	52 %	675	675	900	900
Ancillary benefits	32	2 %	32	2 %	32	32	39	39
<b>Total fixed remuneration</b>	<b>707</b>	<b>53 %</b>	<b>707</b>	<b>55 %</b>	<b>707</b>	<b>707</b>	<b>939</b>	<b>939</b>
One-year variable remuneration	125	9 %	117	9 %		175	112	156
Multi-year variable remuneration								
Share bonus	125	9 %	117	9 %		175	112	156
Cash deferral	156	12 %	146	11 %		219	141	195
Share deferral	219	16 %	204	16 %		306	197	273
<b>Total variable remuneration</b>	<b>625</b>	<b>47 %</b>	<b>583</b>	<b>45 %</b>	<b>0</b>	<b>875</b>	<b>562</b>	<b>780</b>
<b>Total remuneration</b>	<b>1,331</b>	<b>100 %</b>	<b>1,290</b>	<b>100 %</b>	<b>707</b>	<b>1,582</b>	<b>1,501</b>	<b>1,719</b>

## 6.2 Remuneration granted and owed (paid) in the reporting year

The tables below show the remuneration paid out in the reporting year. This is the remuneration granted and owed pursuant to section 162 (1) sentence 1 of the AktG. It includes remuneration components which were either actually paid (“granted”) to the Management Board members in the year under review or that were due in the same period, but have not yet been paid out (“owed”). In accordance with section 162 (1) sentence 2 of the AktG, the relative shares of the individual remuneration components are also shown.

Remuneration paid out	Jochen Klösiges		Marc Hess				Christiane Kunisch-Wolff				Christof Winkelmann			
	2021		2021		2020		2021		2020		2021		2020	
	(€ 000's)	In %	(€ 000's)	In %	(€ 000's)	In %	(€ 000's)	In %	(€ 000's)	In %	(€ 000's)	In %	(€ 000's)	In %
€														
Fixed remuneration	353	97 %	900	72 %	900	75 %	900	57 %	900	58 %	900	58 %	900	62 %
Ancillary benefits	13	3 %	49	4 %	101	8 %	42	3 %	39	3 %	38	2 %	35	2 %
<b>Total (fixed)</b>	<b>366</b>	<b>100 %</b>	<b>949</b>	<b>75 %</b>	<b>1,001</b>	<b>83 %</b>	<b>942</b>	<b>60 %</b>	<b>939</b>	<b>61 %</b>	<b>938</b>	<b>61 %</b>	<b>935</b>	<b>64 %</b>
One-year variable			114	9 %	158	13 %	111	7 %	154	10 %	112	7 %	147	10 %
Multi-year variable														
Share bonus for 2019			138	11 %			135	9 %			129	8 %		
Share bonus for 2018					36	3 %			123	8 %			123	8 %
Share bonus for 2017							90	6 %			91	6 %		
Share bonus for 2016									97	6 %			61	4 %
Cash deferral for 2019			39	3 %			46	3 %			44	3 %		
Cash deferral for 2018			9	1 %	9	1 %	42	3 %	42	3 %	42	3 %	42	3 %
Cash deferral for 2017							79	5 %	79	5 %	80	5 %	80	5 %
Cash deferral for 2016									69	4 %			43	3 %
Share deferral for 2018			7	1 %			32	2 %			32	2 %		
Share deferral for 2017							45	3 %			46	3 %		
Share deferral for 2016							43	3 %	48	3 %	27	2 %	30	2 %
Share deferral for 2015														
Share deferral for 2014														
Dividend			3	0 %			6	0 %			5	0 %		
<b>Total (variable)</b>			<b>309</b>	<b>25 %</b>	<b>202</b>	<b>17 %</b>	<b>628</b>	<b>40 %</b>	<b>611</b>	<b>39 %</b>	<b>607</b>	<b>39 %</b>	<b>526</b>	<b>36 %</b>
Pension benefits														
<b>Total</b>	<b>366</b>	<b>100 %</b>	<b>1,259</b>	<b>100 %</b>	<b>1,203</b>	<b>100 %</b>	<b>1,570</b>	<b>100 %</b>	<b>1,550</b>	<b>100 %</b>	<b>1,545</b>	<b>100 %</b>	<b>1,461</b>	<b>100 %</b>

The following table shows the remuneration granted or owed to former members of the Management Board. Pursuant to section 162 (5) of the AktG, no personal details are provided for former members of the Management Board who left the Bank's Management Board prior to 31 December 2011.

Remuneration paid out	Dagmar Knopek (until May 2021)				Hermann J. Merkens (until April 2021)				Thomas Ortmanns <sup>1)</sup> (until September 2021)				Dr. Wolf Schumacher (until September 2015)			
	2021		2020		2021		2020		2021		2020		2021		2020	
	(€ 000's)	In %	(€ 000's)	In %	(€ 000's)	In %	(€ 000's)	In %	(€ 000's)	In %	(€ 000's)	In %	(€ 000's)	In %	(€ 000's)	In %
€																
Fixed remuneration	375	29%	900	48%	475	21%	1,425	46%	675	8%	900	47%				
Ancillary benefits	17	1%	39	2%	39	2%	70	2%	32	0%	39	2%				
<b>Total (fixed)</b>	<b>392</b>	<b>30%</b>	<b>939</b>	<b>50%</b>	<b>514</b>	<b>23%</b>	<b>1,495</b>	<b>48%</b>	<b>707</b>	<b>9%</b>	<b>939</b>	<b>49%</b>				
One-year variable	110	9%	157	8%	179	8%	258	8%	112	1%	159	8%				
Multi-year variable																
Share bonus for 2019	137	11%			226	10%			140	2%						
Share bonus for 2018			145	8%			269	9%			154	8%				
Share bonus for 2017	112	9%			196	9%			111	1%						
Share bonus for 2016			151	8%			269	9%			152	8%				
Cash deferral for 2019	47	4%			77	3%			48	1%						
Cash deferral for 2018	49	4%	49	3%	91	4%	91	3%	52	1%	52	3%				
Cash deferral for 2017	99	8%	99	5%	174	8%	173	6%	98	1%	98	5%				
Cash deferral for 2016			108	6%			191	6%			108	6%				
Share deferral for 2018	38	3%			71	3%			40	1%						
Share deferral for 2017	56	4%			98	4%			56	1%						
Share deferral for 2016	67	5%	76	4%	119	5%	135	4%	67	1%	77	4%				
Share deferral for 2015	88	7%	99	5%	123	6%	140	5%	87	1%	99	5%	114	27%	129	23%
Share deferral for 2014			67	4%			67	2%			66	3%			117	21%
Dividend	7	1%			11	1%			7	0%						
<b>Total (variable)</b>	<b>811</b>	<b>63%</b>	<b>951</b>	<b>50%</b>	<b>1,367</b>	<b>62%</b>	<b>1,595</b>	<b>52%</b>	<b>818</b>	<b>10%</b>	<b>965</b>	<b>51%</b>	<b>114</b>	<b>27%</b>	<b>246</b>	<b>44%</b>
Pension benefits	89	7%			335	15%			6,556	81%			315	73%	310	56%
<b>Total</b>	<b>1,292</b>	<b>100%</b>	<b>1,890</b>	<b>100%</b>	<b>2,216</b>	<b>100%</b>	<b>3,089</b>	<b>100%</b>	<b>8,081</b>	<b>100%</b>	<b>1,904</b>	<b>100%</b>	<b>429</b>	<b>100%</b>	<b>555</b>	<b>100%</b>

<sup>1)</sup> With regard to his pension commitment, Mr Ortmanns opted for the lump-sum payment of his entire pension capital.

## 7. Pensions

### 7.1 Pension expenses

	2021		2020	
	Service cost from company contribution (IFRSs)	Defined benefit obligation	Service cost from company contribution (IFRSs)	Defined benefit obligation
€ 000's				
Jochen Klösches	67	67		
Marc Hess	723	2,215	638	1,776
Christiane Kunisch-Wolff	580	3,033	558	2,769
Christof Winkelmann	788	3,642	721	3,367
Dagmar Knopek	190	3,836	429	3,992
Hermann J. Merkens	905	17,376	864	11,426
Thomas Ortmanns	273	0	432	9,237
<b>Total</b>	<b>3,527</b>	<b>30,169</b>	<b>3,642</b>	<b>32,566</b>

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The amount of pension obligations (IFRS) to active and former members of the Management Board was € 65 million as at 31 December 2021 (2020: € 70 million). Of that amount, € 11 million (2020: € 34 million) related to members of the Management Board active at the end of the financial year and € 55 million to former members of the Management Board, including those retired from the Board during year under review, and their surviving dependants (2020: € 37 million). This increase in pension obligations to former members of the Management Board is due to the fact that these now include the Management Board members Dagmar Knopek and Hermann J. Merkens, who left the Management Board in the reporting year.

### 7.2 Pension payments made to former members of the Management Board

Pension payments made in the reporting year also count towards remuneration granted and owed pursuant to section 162 (1) sentence 1 of the AktG.

After they left the Bank in the reporting year, Dagmar Knopek received pension payments amounting to € 89,000, while Hermann J. Merkens received pension payments amounting to € 335,000. Due to Mr Merkens' permanent disability, his existing pension capital was raised by € 4,353,000, which was recognised directly in equity.

Thomas Ortmanns opted for a one-off payment of his entire pension capital as a lump sum of € 6,556,000. The payment was made after Mr Ortmanns left in October 2021. As a result, he will no longer receive any pension payments from the Bank in the future and the pension obligations recognised for Mr Ortmanns in the balance sheet, which still amounted to € 9,237,000 as at 31 December 2020, were reduced to € nil as a result. This resulted in a difference of € 2,680,000 between the pension provisions as at 31 December 2020 and the amount paid out; the reversal of this difference increased equity.

Dr Wolf Schumacher also received pension payments in the amount of € 315,000.

Pursuant to section 162 (5) of the AktG, no personal details are provided for former members of the Management Board who left the Bank's Management Board prior to 31 December 2011.

## 8. Remuneration system for members of the Supervisory Board

The remuneration system for the Supervisory Board members was accepted by 81.54 % of the votes cast at the ordinary Annual General Meeting 2021. The fundamental principles of the system and the actual Supervisory Board remuneration paid in 2021 are shown below.

### 8.1 General principles

Remuneration for the services of the Supervisory Board members is specified in Article 9 of the Memorandum and Articles of Association of Aareal Bank AG. Remuneration for the services of the Supervisory Board members comprises exclusively fixed remuneration, plus an attendance fee. In accordance with the requirements set out in section 25d (5) of the German Banking Act, the members of the Supervisory Board do not receive any variable remuneration components for this activity. Where membership in the Supervisory Board falls short of an entire financial year, said remuneration shall be paid on a pro rata temporis basis. Furthermore, the Supervisory Board members will be reimbursed for their expenses.

Remuneration of the Supervisory Board comprises the following

Remuneration element	Description	Structure
Fixed remuneration	Remuneration for activities on the Supervisory Board; Depending on the role of the respective Supervisory Board member (e.g. Chairman)	– € 50,000 p. a. per Supervisory Board member – € 150,000 p. a. for the Chairman – € 75,000 p. a. for the Deputy Chairman
Committee remuneration	Remuneration for activities and duties on the Supervisory Board committees also depends on the role of the respective Supervisory Board member in the respective committee (e.g. a committee chairman)	– € 20,000 p. a. each for membership in the Risk Committee and/or the Audit Committee – € 40,000 p. a. each for the chairmanship in the two committees – € 15,000 p. a. each for membership in other committees – € 30,000 p. a. each for the chairmanship in other committees
Attendance fees	Remuneration for participation in Supervisory Board meetings and on the committees of the Supervisory Board	– € 1,000 per meeting

The remuneration for any financial year shall be due and payable one month after the end of the respective financial year.

## 8.2 Supervisory Board remuneration in 2021

€	2021			2020		
	Fixed remuneration	Attendance fees	Total	Fixed remuneration	Attendance fees	Total
Prof. Dr Hermann Wagner Chairman from 23 November 2021	138,736	61,000	199,736	118,917	37,000	155,917
Marija Korsch Member until 9 December 2021 Chairman until 23 November 2021	230,681	68,000	298,681	265,000	53,000	318,000
Richard Peters Deputy Chairman since 27 May 2020	140,000	57,000	197,000	114,903	42,000	156,903
Prof. Dr Stephan Schüller Member until 27 May 2020 Deputy Chairman until 27 May 2020				51,042	19,000	70,042
Klaus Novatius <sup>1)</sup> Deputy Chairman	105,000	57,000	162,000	105,000	35,000	140,000
Jana Brendel	85,958	35,000	120,958	50,528	14,000	64,528
Christof von Dryander Member until 9 December 2021	96,250	60,000	156,250	59,444	23,000	82,444
Thomas Hawel <sup>1)</sup>	65,000	30,000	95,000	65,000	22,000	87,000
Petra Heinemann-Specht <sup>1)</sup>	90,917	41,000	131,917	81,889	29,000	110,889
Jan Lehmann <sup>1)</sup>	66,222	31,000	97,222	38,639	12,000	50,639
Dr Hans-Werner Rhein Member until 27 May 2020				34,708	17,000	51,708
Sylvia Seignette	92,139	34,000	126,139	90,000	24,000	114,000

<sup>1)</sup> Employee representative



€	2021			2020		
	Fixed remuneration	Attendance fees	Total	Fixed remuneration	Attendance fees	Total
Elisabeth Stheeman <sup>2)</sup>	87,139	37,000	124,139	85,000	28,000	113,000
Hans-Dietrich Voigtländer Member until 9 December 2021	108,292	44,000	152,292	115,000	36,000	151,000
Beate Wollmann <sup>1)</sup> Member until 27 May 2020				28,583	12,000	40,583
<b>Total</b>	<b>1,306,333</b>	<b>555,000</b>	<b>1,861,333</b>	<b>1,303,653</b>	<b>403,000</b>	<b>1,706,653</b>

<sup>1)</sup> Employee representative

<sup>2)</sup> Income tax plus solidarity surcharge for the Supervisory Board member subject to limited tax liability was declared pursuant to section 50a (1) no. 4 of the German Income Tax Act (Einkommensteuergesetz – EStG), and paid to the German Central Tax Office (Bundeszentralamt für Steuern, BZSt).

## 9. Comparison of earnings performance and remuneration

Pursuant to section 162 (1) sentence 2 no. 2 of the AktG, information has to be provided on earnings development, the annual change in the remuneration paid to members of the Management Board and the Supervisory Board, as well as the annual change in the average remuneration paid to employees on a full-time equivalent basis over the last five financial years.

Earnings performance is shown based on the operating profit before taxes and consolidated net income.

The remuneration granted and owed in the financial year concerned is taken as a basis for the members of the Management Board and the Supervisory Board. This means that for the Management Board, the remuneration paid out in the financial year concerned is shown.

The staff members employed by Aareal Bank AG in Germany are taken as a basis for the employee figures. The remuneration shown in this respect is the gross remuneration defined for the year.

	2017	2018	Changes (2018/2017)	2019	Changes (2019/2018)	2020	Changes (2020/2019)	2021	Changes (2021/2020)
<b>Earnings performance</b>									
Operating profit before taxes (€ mn)	328	316	-4 %	248	-22 %	-75	-130 %	155	307 %
Consolidated net income (€ mn)	213	226	6 %	163	-28 %	-69	-142 %	68	199 %
Net profit of Aareal Bank AG for the financial year pursuant to the HGB (€ mn)	150	126	-16 %	120	-5 %	90	-25 %	30	-67 %
<b>Average employee remuneration (€ 000's)</b>	<b>101,545</b>	<b>104,673</b>	<b>3 %</b>	<b>106,203</b>	<b>1 %</b>	<b>101,584</b>	<b>-4 %</b>	<b>107,160</b>	<b>5 %</b>
<b>Management Board remuneration (€ 000's)</b>									
Jochen Klösger								366	
Marc Hess		223		983	340 %	1,203	22 %	1,259	5 %
Christiane Kunisch-Wolff	875	979	12 %	1,222	25 %	1,550	27 %	1,570	1 %
Christof Winkelmann	818	995	22 %	1,137	14 %	1,461	28 %	1,545	6 %

	2017	2018	Changes (2018/2017)	2019	Changes (2019/2018)	2020	Changes (2020/2019)	2021	Changes (2021/2020)
Dagmar Knopek (until May 2021)	1,675	1,885	13 %	1,979	5 %	1,890	-4 %	1,292	-32 %
Hermann J. Merckens (until April 2021)	2,769	2,948	6 %	3,055	4 %	3,089	1 %	2,216	-28 %
Thomas Ortmanns (until September 2021)	2,136	2,189	2 %	2,013	-8 %	1,904	-5 %	8,081	324 %
Wolf Schumacher (until September 2015)	1,605	1,925	20 %	1,341	-30 %	555	-59 %	429	-23 %
Dirk Große Wördemann (until May 2013)	429	203	-53 %		-100 %				
<b>Total</b>	<b>9,903</b>	<b>9,664</b>	<b>-2 %</b>	<b>11,192</b>	<b>16 %</b>	<b>9,938</b>	<b>-11 %</b>	<b>9,176</b>	<b>-8 %</b>
<b>Supervisory Board remuneration (€ 000's)</b>									
Prof. Dr Hermann Wagner	126	129	2 %	131	2 %	156	19 %	200	28 %
Jana Brendel						65		121	87 %
Thomas Hawel	75	77	3 %	78	1 %	87	12 %	95	9 %
Petra Heinemann-Specht		63		85	36 %	111	30 %	132	19 %
Marija Korsch	298	301	1 %	302	0 %	320	6 %	299	-7 %
Jan Lehmann						51		97	92 %
Klaus Novatius				126		142	13 %	162	14 %
Richard Peters	121	123	2 %	125	2 %	159	27 %	197	24 %
Sylvia Maria Seignette	100	103	3 %	105	2 %	114	9 %	126	11 %
Elisabeth T. Stheeman	99	102	3 %	104	2 %	113	9 %	124	10 %
Dietrich Voigtländer	139	141	1 %	140	-1 %	153	9 %	152	0 %
Christof von Dryander						84		156	85 %
York-Detlef Bülow (until March 2018)	149	40	-73 %						
Dieter Kirsch (until December 2018)	102	120	18 %						
Dr Hans-Werner Rhein (until May 2020)	100	101	1 %	106	5 %	52	-51 %		
Prof. Dr Stephan Schüller (until May 2020)	150	152	1 %	148	-3 %	70	-53 %		
Beate Wollmann (until May 2020)	56	77	38 %	85	10 %	41	-52 %		

## 10. Outlook

The Supervisory Board will submit an adjusted remuneration system for the members of the Management Board to the ordinary Annual General Meeting 2022. It features far-reaching changes that are designed to address concerns about the previous remuneration system raised by shareholders. For further details, please refer to the revised remuneration system, which forms part of the invitation to the 2022 ordinary Annual General Meeting. The revised remuneration system also contains a comparison of the main changes compared to the previous remuneration system.

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## Independent Auditor's Report

To Aareal Bank AG, Wiesbaden

### Report on the Audit of the Remuneration Report

We have audited the attached remuneration report of Aareal Bank AG, for the financial year from 1 January 2021 to 31 December 2021, including the related disclosures, prepared to meet the requirements of Section 162 AktG (Aktiengesetz: German Stock Corporation Act).

### Responsibilities of Management and the Supervisory Board

The management and the Supervisory Board of Aareal Bank AG are responsible for the preparation of the remuneration report, including the related disclosures, in accordance with the requirements of Section 162 AktG. The management and the Supervisory Board are also responsible for such internal control as they have determined necessary to enable the preparation of the remuneration report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibilities

Our responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in accordance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts, including the related disclosures, in the remuneration report. The procedures selected depend on the auditor's professional judgement. This includes an assessment of the risks of material misstatement, whether due to fraud or error, in the remuneration report, including the related disclosures. In assessing these risks, the auditor considers the internal control system relevant for the preparation of the remuneration report, including the related disclosures. The objective is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the Supervisory Board, as well as evaluating the overall presentation of the remuneration report, including the related disclosures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion, on the basis of the knowledge obtained in the audit, the remuneration report for the financial year from 1 January 2021 to 31 December 2021, including the related disclosures, complies in all material respects with the financial reporting requirements of Section 162 AktG.

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**Other matter – formal examination of the remuneration report**

The substantive audit of the remuneration report described in this independent auditor's report includes the formal examination of the remuneration report required by Section 162 (3) AktG, including issuing an assurance report on this examination. As we have issued an unqualified opinion on the substantive audit of the remuneration report, this opinion includes the conclusion that the disclosures pursuant to Section 162 (1) and (2) AktG have been made, in all material respects, in the remuneration report.

**Limitation of liability**

The terms governing this engagement, which we fulfilled by rendering the aforesaid services to Aareal Bank AG, are set out in the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms) as amended on 1 January 2017. By taking note of and using the information as contained in this auditor's report, each recipient confirms to have taken note of the terms and conditions laid down therein (including the limitation of liability of € 4 million for negligence under Clause 9 of the General Engagement Terms) and acknowledges their validity in relation to us.

**Frankfurt/Main, 25 March 2022**

**KPMG AG**

**Wirtschaftsprüfungsgesellschaft**

**(Original German version signed by:)**

**Haider**

**Wirtschaftsprüfer**

**(German Public Auditor)**

**Chrobok**

**Wirtschaftsprüferin**

**(German Public Auditor)**

**Aareal Bank AG**

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**Aareal Bank**

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